



DEALING WITH DEBT

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Overview

Most people have encountered a period in their life when their expenses seemed overwhelming. Unfortunately, few people are aware of their rights and resources available during these times of financial turmoil. Help is available through the Consumer Credit Counseling Service and Federal Trade Commission.

NOTE: Military members and their dependents may also seek help through Air Force Aid Society, a division of the Airman and Family Readiness Center, located in Building 1218 at Hanscom AFB. Call (781) 377-4222 or DSN 478-4222 for an appointment with Air Force Aid.

Consumer Credit Counseling Service (CCCS)

Most people have not heard of CCCS—a non-profit organization of professional money counselors who assist people in managing their debt to protect their assets from foreclosure actions and to forestall bankruptcy. CCCS is not a collection agency, not a finance company or bank, and is not connected with any retailer, bank or other business. CCCS is run by a staff of professionals who are experts in debt counseling, working with individuals and negotiating with creditors.

CCCS provides: Free confidential counseling service; and confidential debt repayment planning (by organizing your creditors' demands).

CCCS establishes debt repayments on an "ability-to-pay" basis, not to exceed \$20.00 per month. CCCS discusses your financial status with your creditors and helps establish a workable repayment plan.

Credit Reporting

Whether or not you have a history of debt, you should review your credit records to ensure that they are accurate. Your credit information is often gathered and sold by Credit Reporting Agencies (CRAs). The most common type of CRA is the credit bureau. Anyone who has applied for a credit card, personal loan or a job will likely have a credit report on file with a CRA. The information sold by a CRA is called a consumer report. This report contains general information, to your work and home addresses and your overall timeliness in paying your bills.

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Fair Credit Reporting Act

In 1970, Congress passed the Fair Credit Reporting Act to give consumers specific rights in dealing with CRAs. The Act protects you by requiring credit bureaus to furnish correct and complete information to businesses to use in evaluating your applications for credit, insurance, or a job. The Federal Trade Commission enforces the Fair Credit Reporting Act.

The Fair Credit Reporting Act requires each of the nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. A credit report includes information on where you live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy. Nationwide consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

Under federal law, you're also entitled to a free report if a company takes adverse action against you, like denying your application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, a consumer reporting company may charge you up to \$9.50 for another copy of your report within a 12-month period.

Equal Credit Opportunity Act

If you are ever denied credit, the Equal Credit Opportunity Act requires creditors to tell you the specific reasons for your denial. The Act also requires creditors to consider, upon request, additional information you might supply about your credit history. It prohibits credit discrimination on the basis of sex, race, marital status, religion, national origin, age, or receipt of public assistance. Creditors may ask for this information (except religion) in certain situations, but they may not use it to discriminate against you when deciding whether to grant you credit.

The ECOA protects consumers who deal with companies that regularly extend credit, including banks, small loan and finance companies, retail and department stores, credit card companies, and credit unions. Everyone who participates in the decision to grant credit, including real estate brokers who arrange financing, must follow this law. Businesses applying for credit also are protected by this law. Under the Equal Credit Opportunity Act:

- You cannot be denied credit based on your race, sex, marital status, religion, age, national origin, or receipt of public assistance.
- You have the right to have reliable public assistance considered in the same manner as other income.
- If you are denied credit, you have a legal right to know why.

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Violations of the Fair Credit Reporting Act may be reported to the Federal Trade Commission:

Correspondence Branch
Federal Trade Commission
Washington, D.C. 20580

The Fair Debt Collection Practices Act (FDCPA)

FDCPA applies to personal, family, and household debts. This includes money you owe for the purchase of a car, for medical care, or for charge accounts. The FDCPA prohibits debt collectors from engaging in unfair, deceptive, or abusive practices while collecting these debts. Under the Fair Debt Collection Practices Act:

- Debt collectors may contact you only between 8 a.m. and 9 p.m.
- Debt collectors may not contact you at work if they know your employer disapproves.
- Debt collectors may not harass, oppress, or abuse you.
- Debt collectors may not lie when collecting debts, such as falsely implying that you have committed a crime.
- Debt collectors must identify themselves to you on the phone.
- Debt collectors must stop contacting you if you ask them to do so in writing.

Solving Your Credit Problems

Your credit report can influence your purchasing power, as well as your opportunity to get a job, rent or buy an apartment or a house, and buy insurance. When negative information in your report is accurate, only the passage of time can assure its removal. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

If you are having problems paying your bills, contact your creditors immediately. Try to work out a modified payment plan with them that reduces your payments to a more manageable level. Don't wait until your account has been turned over to a debt collector.

Here are some additional tips for solving credit problems:

- If you want to dispute a credit report, bill or credit denial, write to the appropriate company and send your letter "return receipt requested."

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- When you dispute a billing error, include your name, account number, the dollar amount in question, and the reason you believe the bill is wrong.
- If in doubt, request written verification of a debt.
- Keep all your original documents, especially receipts, sales slips, and billing statements. You will need them if you dispute a credit bill or report. Send copies only. It may take more than one letter to correct a problem.
- Be skeptical of businesses that offer instant solutions to credit problems: There aren't any.
- Be persistent. Resolving credit problems can take time and patience.
- There is nothing that a credit repair company can charge you for that you cannot do for yourself for little or no cost.

If you're not disciplined enough to create a workable budget and stick to it, work out a repayment plan with your creditors, or keep track of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But not all are reputable. For example, just because an organization says it's "nonprofit," there's no guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, or hide their fees by pressuring consumers to make "voluntary" contributions that only cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

For more information visit:

<http://www.ftc.gov/bcp/menus/consumer/credit/rights.shtm>

<http://www.ftc.gov/bcp/online/pubs/credit/crdright.shtm>

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